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CHINA REPORT ECONOMIC AFFAIRS

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CONTENTS

PEOPLES' REPUBLIC OF CHINA

NATIONAL POLICY AND ISSUES

'JINGJI YANJIU' on Research of 'Das Kapital' (Yu Guangyuan; JINGJI YANJIU, 20 Feb 82).....	1
'JINGJI YANJIU' on Vitality of 'Das Kapital' (Xu Dixin; JINGJI YANJIU, 20 Feb 82).....	4
'Das Kapital' Summarized by Forum (JINGJI YANJIU, 20 Feb 82).....	8

ECONOMIC MANAGEMENT

Merits of Economic Contract System Within Plants Evincd (Shu Bing; CAIWU YU HUAIJI, 20 Dec 81).....	17
--	----

TRANSPORTATION

Energy Advantages of Electric Locomotives Analyzed (Dong Zhaomin; JICHE DIANCHUANDONG, No 1, 1982).....	22
PRC Expanding Containerized Cargo Handling (DEUTSCHE VERKEHRS-ZEITUNG, 10 Nov 81).....	28

HONG KONG MEDIA ON CHINA

Hubei Gives General Statistics, Discusses Foreign Trade (WEN WEI PO, 16, 17 Mar 82).....	32
Chen Pixian Discusses Situation Chen Pixian Concludes Remarks	

'JINGJI YANJIU' ON RESEARCH OF 'DAS KAPITAL'

HK230947 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 2, 20 Feb 82
pp 10-11

[Article by Yu Guangyuan [0060 0342 6678]: "Several Questions on the Research of 'Das Kapital'"]

[Text] "Das Kapital" is the most important work in Marxist literature. It deals with that part of political economics which is about capitalism. Moreover, it also discusses general laws governing social production. I divide economic science into two parts: First, basic economic theory; and second, theory of applied economic techniques. Political economics belongs to the category of basic economic theory. It is the theoretical basis of scientific socialism. It is of great practical significance for us to study and do research on "Das Kapital." Considering our domestic situation, this will help provide guidance for our country's socialist construction and help us satisfactorily carry out our national construction. Considering the international situation, it is our international obligation to study the theory contained in "Das Kapital." To sum up, when we study "Das Kapital," we must bear in mind our country's socialist construction and develop the theory of socialism in political economics; we must bear in mind modern capitalism and develop the theory of capitalism in political economics; and we must bear in mind the international communist movement and develop the scientific theory of socialism. If we only have "Das Kapital" in mind when we study "Das Kapital," then our study will be unsatisfactory and will become scholastic.

When we study "Das Kapital," we must extend the scope of study. Aside from studying volumes 1 to 3 of "Das Kapital" and volume 4, which presents the "theory of surplus value," we must also study the notes on and manuscripts of "Das Kapital" as well as other related works.

Let me present four views on how to study "Das Kapital."

1) Many principles contained in "Das Kapital" are now still applicable. Under current conditions, we must integrate theory with practice when we study and apply these principles. For example, what relationship does the principle concerning reproduction in the two major categories bear to equilibrium between various sectors? Another example is: Does production price, as a category in political economics, exist under the socialist system?

In connection with the production price mentioned in "Das Kapital," there is a question of the so-called "transformation," which bourgeois economists put forth to oppose Marx's theory of labor value. Our personnel who do research on "Das Kapital" must study this question. If some bourgeois economists oppose certain principles in "Das Kapital," we must not simply denounce their views. We must refute them by reasoning.

2) The methods of study of "Das Kapital" are very important in studying that part of political economics on socialism. These methods can be divided into two categories. The first category are the methods which are characteristic of "Das Kapital" and which many people have studied. In the future, we must continue to study and apply these methods. These methods, namely, to go from the concrete to the abstract and to the concrete again, are extremely important. However, the methods employed in "Das Kapital" also include general methods for studying basic economic science. For example, in studying imperialism, Lenin did not use the special characteristic method of "Das Kapital," but followed the general methods used in "Das Kapital." Lenin's study of imperialism represents a development on the basis of "Das Kapital" and does not involve the use of methods which are identical to those used in "Das Kapital." Actually, it was impossible for Lenin to use identical methods, seen from the needs of revolutionary practice of that time. As to the studying of problems of the socialist economy, we must not only follow the general methods Marx used to study economic laws, but must also realistically use the special method of study used in "Das Kapital."

Moreover, we must compare the methods for studying the capitalist economy with those for studying the socialist economy, in order to see their differences and similarities. For example, it seems that we may add a subtitle to the book "Das Kapital": "The role of the law of value in the capitalist economy." This is because capitalist production is the production of value and surplus value. The socialist economy is different. Its nature is plain and obvious and need not be revealed through step-by-step analysis, as is necessary in revealing the nature of the capitalist economy. However, at the present stage, because the production of commodities still exists in socialist society and the law of value still plays a role in it, the socialist society is not so plain and obvious. For example, money fetishism still exists to a certain extent.

3) We must discover useful things. Certain things in "Das Kapital" do not amount to an exposition of basic principles. However, they are useful to our practice and we should exploit them. For example, it is only in recent years that we have paid full attention to the question of the possible conversion of science into productive forces. This has greatly promoted the development of science and technology. Another example is that today, we must pay attention to the expositions on the system of cooperation under the condition of capitalism and on the drawing of a distinction between the means of subsistence, the means of enjoyment and the means of development. (Although this classification was put forth by Engels and not by Marx, it was written in Engel's preface to Marx's work.)

4) There are also some expositions which are not directly useful in themselves but can stimulate people's thought. For example, Marx placed the production of materials for making money in the first category. If we clearly understand why he did so, we will be able to think of the role of money as a tool for organizing production.

When we study and do research on "Das Kapital," aside from integrating theory with practice, we can also do textual research, compile historical materials, and so on. It is also necessary to study the history of the writing of "Das Kapital."

We must formulate a plan for our future research on "Das Kapital." We must go about implementing the plan separately and further organize the exchange of experience. We must discover a means of publishing in various forms all those things which can worthily be called fruits of research and affirm the contributions of those who do the research, so that these things can form a basis for other people's further research.

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NATIONAL POLICY AND ISSUES

'JINGJI YANJIU' ON VITALITY OF 'DAS KAPITAL'

HK230913 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 2, 20 Feb 82
pp 8-9

[Article by Xu Dixin [6079 3321 2450]: "On The Vitality of 'Das Kapital'"]

[Text] Editor's note: The first national academic forum on "Das Kapital" and the founding conference of the "Das Kapital" Research Association of China were held in Wuxi, Jiangsu from 15-22 December 1981. At the forum and conference, Comrades Xu Dixin and Yu Guangyuan presented their reports respectively entitled "On the Vitality of 'Das Kapital'" and "Several Questions on the Research on 'Das Kapital.'" We now publish summaries of these two reports. [End editor's note]

"Das Kapital" was written by Marx, leader of the global proletarian revolution. As soon as it was published, the bourgeoisie and bourgeois scholars regarded it with deep hatred. For many years, they tried to obliterate it. However, no one could possibly obliterate this great work. Therefore, they later attacked it instead. Their attacks were focused on several key questions, including the "theory of labor value," the "theory of surplus value," the "pauperization of the proletariat" and the "theory of the inevitable demise of capitalism." Their attacks, which have lasted several decades, are still going on. Therefore, we are forced to accept their challenge.

The Western bourgeois economists primarily attack the theory of labor value when they vilify "Das Kapital," because this theory is not only an extremely important part of Marxist economic theory, but it also leads to the theory of surplus value, which is the foundation stone of that part of Marxist economic which studies capitalism. They deny the theory of labor value precisely to negate Marx's theory of surplus value and to rationalize their theory of the generation of profit and interest by capital and the generation of rent by land. They attempt to prove that exploitation by capitalists and landlords will forever be justified.

The theory of surplus value is the foundation stone of Marxist economics. It reveals that the bourgeoisie get rich precisely by the extortion of surplus value. It is like a sword which pierces through the heart of the capitalist system of exploitation. Thus, it naturally arouses the deep hatred of the entrepreneurs. Aside from negating the theory of surplus value through

negating the theory of labor value, the bourgeois economists also coin various theories which directly oppose the theory of surplus value. They try to prove that the profit and interest obtained by the bourgeoisie do not come from surplus value or the exploitation of labor by capital, but come from their "sacrifice of present consumption" and serve as their "reward" for running, managing and rendering "services" to the enterprises. If these theories of theirs were tenable, then, would not Marx's theory of surplus value have fallen down without being attacked? However, the capitalists' exploitation of the workers cannot be disguised by their so-called "sacrifice of present consumption" or by the false claim that the capitalists' profits are their "reward" for organizing production.

Some people also think that "under the condition of modern production, both machinery and the workers are sources of surplus value; they create surplus value together." This way of putting things brings confusion to both the theory of surplus value and the theory of labor value. Actually, whether production is by means of machinery, by automatic or by means of robots, the machinery and robots are production tools which represent the extension of the human hand. They do not cause a change in the essential principle that a commodity's value is the materialized abstract labor embodied in it. Therefore, the "magic weapon" of referring to the use of machinery and automatic processes cannot help refute the theory of labor value and theory of surplus value.

Economists of the West negate the theory of the pauperization of the proletariat in capitalist society. In capitalist society, with the increase in the proportion of organic components of capital, the demand for labor forces inevitably tends to decrease. There is always a large contingent of the unemployed who are tossed into the streets by virtue of the capitalist production process. What kind of life do they lead? Of course, we must not deny that some people are still being employed, that the workers' wages may increase slightly, and that their livelihood may improve to some extent. However, it certainly does not imply any change in the capitalist system of exploitation. In particular, when capitalism gets into a crisis or depression, some of the workers will not only suffer from relative pauperization, but may also suffer from absolute pauperization, marked by deterioration in the living conditions year after year.

As to Marx's theory of the inevitable demise of capitalism, this is undoubtedly a tremendous threat to the bourgeoisie. Therefore, they inevitably try to negate and oppose this theory of Marx from various angles and by various means. However, this is futile, according to the historical materialist viewpoint. Which thing or social system in the world does not undergo processes of birth, development and demise? Even if the capitalist system is a "kingdom that will last 1,000 years," it will be unable to escape the fate of dying out. Has not the tension in the international situation and the deepening of economic crises which have occurred since World War II proved that this capitalist "kingdom that will last 1,000 years" is well past its years of vigor? In the protracted course of human social development, several decades or even one or two centuries are just like the time taken for "a fleeting horse to leap across a crevice." If we interpret the thesis,

"imperialism is dying capitalism," from the biological viewpoint, we cannot arrive at a correct understanding.

During the last 30 years of the 19th century, capitalism in which free competition prevailed was finally superseded by monopoly capitalism. Although Marx had already pointed out the tendency of the concentration of capital in "Das Kapital," he did not live long enough to see the final consummation of monopoly capitalism. Based on a scientific analysis of "Das Kapital" and in the light of the laws governing the birth, development and demise of capitalism, Lenin summed up the development of world capitalism during the 50 years or so after the publication of "Das Kapital," and further scientifically analyzed the political and economic nature of imperialism, the highest stage of capitalism. Lenin's works enriched the theory contained in "Das Kapital."

Since World War II, world capitalism has developed amid contradictions and many new circumstances have appeared. Has "Das Kapital" become "outdated" and lost its guiding role? Although monopoly capitalism differs from free-competition capitalism, the contradictions of monopoly capitalism are a developed form of those contradictions of capitalism which were in a rudimentary stage during the free-competition period. The scientific analysis of laissez faire capitalism in "Das Kapital" is precisely the theoretical basis of our knowledge of monopoly capitalism.

Therefore, although many bourgeois economists of the West have, since the 1870's, arduously tried numerous ways of refuting the theories of labor value, surplus value, pauperization of the proletariat and the inevitable dying out of capitalism, none of them have succeeded in refuting these basic principles in Marx's "Das Kapital." If they had really triumphantly and gloriously refuted "Das Kapital," then they need not have been filled with bitterness until now, or need to maliciously revile it, saying that "Marxism is the opium of the Marxists."

Even now, Marx's "Das Kapital" not only serves as the basic theory for analyzing modern capitalism, but also serves as the socialist countries' theoretical guide to socialist production and construction. In "Das Kapital," Marx put forth the theories of "surplus value," "distribution according to work done," "circulation of capital" and "reproduction." These theories play an important role in guiding socialist production and construction. Of course, the principles governing the functioning of the socialist economy, which are directly or indirectly expounded in "Das Kapital," are not limited to the above-mentioned four items. My examples here are just to prove that "Das Kapital" is not only the basic theory for analyzing modern capitalism, but is also the theoretical guide for our socialist production and construction.

Thus, it can be seen that although some bourgeois scholars of the West are loudly claiming that "Das Kapital" is "outdated," this brilliant monumental work is still full of vitality and is still the illuminating people's path of progress.

World capitalism continues to develop and change. Our country's socialist production and construction are also developing everyday. New things continue to appear. Thus, adhering to our party's principle of integrating theory with practice, we must study and do research on "Das Kapital," so that we can use the basic principles in "Das Kapital" to analyze the new situation and new contradictions of international capitalism, and can use the theoretical principles in "Das Kapital" which are directly or indirectly related to socialism to serve our country's socialist modernization construction.

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NATIONAL POLICY AND ISSUES

'DAS KAPITAL' SUMMARIZED BY FORUM

HK230825 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 2, 20 Feb 82
pp 3-7

[Article by Forum Secretariat: "A Summary of the First National Academic Forum on 'Das Kapital' and the Founding Conference of the 'Das Kapital' Research Association of China"—written on 22 December 1981]

[Text]

I

The first national academic forum on "Das Kapital" and the founding conference of the "Das Kapital" Research Association of China were held in Wuxi, Jiangsu in a ceremonial atmosphere from 15 to 22 December 1981. The 232 delegates to the forum and conference came from 120 scientific research and educational institutions in 28 provinces, municipalities and autonomous regions. These institutions include social sciences research institutes under the CCP and of various provinces, municipalities and autonomous regions; general universities; higher institutes for teacher training; party schools; certain military institutes; as well as the party committee propaganda offices and news publishing units of some provinces and municipalities. The delegates to the forum and conference included eminent economists of our country and also new forces on our economic theory front. Many other comrades also attended the forum and conference as observers. Some 224 theses and informative articles on the research on "Das Kapital" were presented to the forum and conference by delegates to the forum and conference and others who did not attend.

The forum and conference were presided over by a presidium whose 19 members included Xu Dixin and Yu Guangyuan, deputy heads of the Chinese Academy of Social Sciences. At the convention, Comrades Yu Guangyuan and Xu Dixin presented their reports respectively entitled "Several Questions on the Research on 'Das Kapital'" and "On the Vitality of 'Das Kapital.'" At the academic forum, the delegates were divided into eight groups to separately discuss the relationship between "Das Kapital" and the socialist economy; the relationship between "Das Kapital" and contemporary capitalism; the subject matter, structure, methodology and history of the writing of "Das Kapital"; and so on. The delegates exchanged academic views. Some comrades also reported the fruits of their study at the plenary session of the forum. The founding conference of the "Das Kapital" Research Association of China was held on 21 December. The constitution of the Research Association was

adopted and a 59-member council was elected. Comrade Xu Dixin was unanimously elected president of the association. At the conference, it was resolved to publish two publications, namely "'Zibenlun' Yanjiu" ["Research on 'Das Kapital'"] and "'Zibenlun' Yanjiu Ziliao He Dongtai" ["Information About and Recent Developments in the Research of 'Das Kapital'"]. It was also proposed to launch grand activities in 1983 to commemorate the centennial anniversary of the death of Marx.

This forum on "Das Kapital" has been successful. An atmosphere of vigor and enthusiasm prevailed throughout the meeting. The spirit of democracy and scientific thinking was carried forward. The principle of letting a hundred schools of thought contend was adhered to. This forum and conference have constituted a grand and unprecedented convention in our country on the research on "Das Kapital," in which the delegates took this rare opportunity to learn from one another and exchange academic views, and in which those in our country who do research on and teach on "Das Kapital" made concerted efforts and were mobilized to scale the heights of science.

II

At the forum and conference, it was noted with pleasure that during the last few years, a gratifying situation has appeared in our country: people have been studying and doing research on "Das Kapital." The vast numbers of cadres are now diligently studying the basic principles in "Das Kapital" and applying them to the practice of socialist economic construction in our country. Economic theory departments of universities and higher teacher training institutes generally offer courses in the study of "Das Kapital." Some universities and institutes have even enrolled postgraduate students specializing in studying "Das Kapital." Party schools run by the CCP Central Committee and the party committees of various provinces, municipalities and autonomous regions have organized "Das Kapital" study classes for cadres. In many provinces, municipalities and units over our country, research bodies and academic groups for studying "Das Kapital" have been established. Research work is gradually progressing in depth. Meanwhile, the number of people who do research on or teach on "Das Kapital" has continued to increase. On the other hand, it was pointed out at the forum and conference that research work on "Das Kapital" has been quite inadequate, both in terms of the scope and depth of research, and in terms of the quantitative and qualitative aspects of the fruits of research. In view of this situation, it is necessary to establish a National Research Association to organize and coordinate the forces in various localities that do research on "Das Kapital," to exchange information, to sum up experience, to carry out division of labor and cooperation, and to work together to raise the standard of research.

Forming a National "Das Kapital" Research Association is also something which the vast numbers of workers in our country who do research on or teach on "Das Kapital" have hoped for over many years. On 30 October 1980 Comrade Xu Dixin called together for a discussion more than 30 people from scientific research and educational institutions in Beijing. It was agreed at the meeting to publicize all over our country a proposal to found a "Das Kapital" Research Association of China and to convene an academic forum. This proposal

was received with enthusiastic response and supported by workers all over our country who do research on or teach on "Das Kapital." This led to the convening of our forum and conference.

At the founding conference of the "Das Kapital" Research Association of China, it was hoped that all members of the association and the vast numbers of workers in our country who do research on or teach on "Das Kapital" could more thoroughly understand the importance of studying and doing research on "Das Kapital" and could vigorously give publicity, in the light of actual needs, to the enormous importance of studying and applying "Das Kapital." "Das Kapital" is an epochal monumental work which Marx wrote by expending the majority of the efforts of his lifetime. It is the most important part of the treasure of Marxist theoretical literature. It is the theoretical foundation of scientific socialism. It provides an extremely profound analysis of the capitalist economic system and reveals the objective laws governing the birth, development and demise of capitalism. Until now, it is still a powerful ideological weapon by means of which the proletariat, under the rule of capitalism, fights for liberation; and it provides criteria according to which we observe, analyze and study contemporary capitalism. We should also note that while "Das Kapital" mainly deals with the laws governing capitalist economic movements, it also scientifically expounds laws which are generally applicable to human society, laws governing socialized large-scale production, and general laws concerning the commodity economy. Moreover, it scientifically predicted certain basic characteristics of the socialist economy and the principal laws governing this economy. Therefore, it is also the theoretical guide to economic construction for countries which have successfully turned socialist. Currently, while our nation is carrying out socialist modernization construction and implementing the policy of readjustment, restructuring, reorganization and upgrading with readjustment as the key task, it is of immediate significance to seek guidance through studying the theory of social reproduction and other important principles of political economics, which are expounded in "Das Kapital."

It was emphasized at the conference that in studying "Das Kapital," we must adhere to the principle of integrating theory with practice. We should note that the times are advancing, and in both the development of contemporary capitalism and the practice of contemporary socialism, there are many new phenomena and new problems which Marx could not have foreseen when he wrote "Das Kapital." Therefore, we must not adopt a dogmatic attitude toward "Das Kapital." We must not think that no single word or sentence in "Das Kapital" can be interpreted in a flexible way. Applying the stand, viewpoints and methods embodied in "Das Kapital," we should relate this work to the contemporary realities of capitalism and socialism, get to understand new phenomena, study new problems, sum up these phenomena and problems to obtain new theoretical conclusions, and further enrich and develop Marxism.

Moreover, we must not neglect the fact that over the past 100 years or more, bourgeois scholars have continued to viciously distort and attack the great work, "Das Kapital." Even now, these attacks are on the increase. In our country, because of the disruption by Lin Biao and the "gang of four," the influence of the Western bourgeois ideological trend and the weakness of our ideological work, a minority of young students also erroneously think that

"Das Kapital" is 'outdated.' In view of this, we must use forceful theoretical arguments and facts to rebut the bourgeois scholars' attacks and to educate the masses through scientific and convincing propaganda.

The conference expressed the belief that the founding of the "Das Kapital" Research Association of China will play a positive role in coordinating the efforts of all those in our country who do research on "Das Kapital," helping us implement the policy of letting a hundred schools of thought contend and the principle of integrating theory with practice under the guidance of Marxism-Leninism and Mao Zedong thought. It will help us carry out in-depth academic research on "Das Kapital," raise the standard of philosophy and social sciences in our country, and facilitate the cause of socialist modernization construction in our country. Achieving all this is the aim of the founding of the "Das Kapital" Research Association of China as well as a glorious task for those who do research on "Das Kapital."

III

Closely relating their discussion to the real situation of our country's socialist economic construction and the contemporary problems of capitalism, the comrades who attended the forum discussed the relevant basic theories in "Das Kapital" and also the subject matter, methodology and history of the writing of "Das Kapital."

1) On the Marxist Theory of Reproduction

Currently, we are working to implement the "eight-character" policy the key idea of which is readjustment, to put an end to the grave disproportion in our national economy that has lasted many years, and to break with all old practices that began under the guidance of "leftist" ideology. In the light of our actual national condition, we are opening up a new path that enables a relatively reasonable speed of development to be attained, that yields relatively substantial economic benefits, and that enables the people to enjoy greater material benefits. The objective situation requires us to study the Marxist theory of reproduction. In the opinion of some comrades, to enable our national economy to rapidly change over to a benignant cycle, we must conscientiously study the Marxist theory of reproduction, and we must satisfactorily handle the relationship between simple reproduction and expanded reproduction, the relationship between the expansion of reproduction by extension and the expansion of reproduction by intension, the relationship between the two major categories of social production, the relationship between agriculture, light industry and heavy industry, as well as the relationship between accumulation and consumption. Moreover, we must pay attention to improving economic effect in production.

At the forum, with their discussion centered round the Marxist theory of reproduction, the comrades put forth various views on certain questions, such as the prerequisite conditions for, and the conditions for the realization of, simple reproduction and expanded reproduction; whether the preferred development of the production of the means of production is governed by any economic law; the criteria for distinguishing a benignant cycle from a malignant cycle; and so on. Examples of things discussed include the following:

Discussing the conditions for the realization of expanded reproduction, some comrades said that the conditions should include the attainment of equilibrium in the following five realms. 1) Equilibrium must be maintained in the exchange of one of the two major categories of products for the other; that is, $I(V \text{ plus } \Delta V \text{ plus } M/X)$ must be equal to $II(C \text{ plus } \Delta C)$. 2) Equilibrium must be maintained between the first-category total product on one hand and the compensation funds and accumulation funds of both categories on the other. 3) Equilibrium must be maintained between the second-category total product and the consumption funds of both categories. 4) Within each of the two major categories, equilibrium must be maintained in the exchange of its own products. 5) Equilibrium must be maintained between the total social product on one hand and the sum of the compensation funds, accumulation funds and consumption funds of both categories on the other. Some other comrades held that the basic condition for the realization of expanded reproduction is $I(V \text{ plus } M) \text{ equals } IIC \text{ plus } I \Delta C \text{ plus } II \text{ times } \Delta C$, instead of $I(V \text{ plus } \Delta V \text{ plus } M/X) \text{ equals } II(C \text{ plus } \Delta C)$, because the latter is not found in "Das Kapital."

There are three views on the question of whether the preferred development of the production of the means of production is governed by any economic law. The first view holds that this is governed by a specific law, that is, a law that plays a role under specific conditions, which are: 1) Attainment of a stage at which machinery is replacing manual labor; 2) the two major categories are developing in appropriate proportions; and 3) the accumulation rate for the first category exceeds that of the second category. The second view holds that the preferred development of the production of the means of production is governed by a general law, which is applicable not only at the stage when machinery is replacing manual labor, but is also applicable to modern production and to the future communist society. The third view holds that it is not governed by any law, because with the advance in technology, economy in using the means of production is possible; workers' wages may rise; and the development in education, cultural services, medical and health services and the service trades also checks the increase in the proportion of the means of production.

2) On Whether Surplus Value Exists in Socialist Society

During the discussion, two different views were expressed. According to one, surplus value does exist, because surplus value is a general category common to all commodity economies, and is not peculiar to capitalism. Surplus value inevitably exists under two conditions: the existence of surplus labor and the production of commodities. The surplus value discussed in "Das Kapital" has two meanings: First, surplus value in general, which is related to commodities in general; and second, surplus value in the specific sense, which is related to capitalism. Surplus value in general exists in specific forms in various societies. For the sake of differentiation, surplus value in capitalism can be called value gratuitously appropriated, and surplus value in socialism can be called value necessary for public use. The other view holds that surplus value does not exist in socialist society, because surplus value is a specific economic category which reflects the relationship between capital and wage labor, and is related to the conversion of labor power into commodities. Surplus value does not coexist with the production

commodities. In slave society and feudal society, although surplus labor and the production of commodities coexisted, the category of surplus value did not exist.

3) On the Question of Productive Labor

Two major views were expressed during the discussion. One view holds that productive labor should cover the following three realms: The production of material things, the production of services and the production of spiritual satisfaction. The other view holds that productive labor can only be limited to labor which produces surplus value. Some comrades said that socialist society is built on the basis of a labor productivity that is higher than in capitalist society, and therefore the characteristic of socialist productive labor is that it must be labor which creates surplus products; otherwise, the socialist mode of production itself cannot be established. Some comrades analyzed the relationship between the social characteristic and material characteristic of productive labor. They held that the two characteristics are linked up as an organic whole. Because productive labor belongs to the category of production relations, the social characteristic of productive labor is its essential characteristic. However, productive labor is not completely unrelated to its material characteristic. The existence of a material characteristic is the basis and precondition for labor being productive. When Marx analyzed capitalist productive labor, he said that it is unrelated to the material content of production. He said this to rebut the view of the physiocrats who argued that only labor expended in agricultural production could be productive labor. We must not interpret Marx's argument as meaning that productive labor is unrelated to the production of material things in general. Some comrades also discussed the relationship between productive labor in general and capitalist productive labor, capitalist productive labor in its narrow sense versus such labor in its broad sense, and so on.

4) On "Das Kapital" and Contemporary Capitalism

On this question, the comrades at the forum mainly discussed Marx's theory of labor value and the pauperization of the proletariat.

Since the end of World War II, in production, automation has rapidly developed, computers have been extensively used, and the number of robots has continued to increase. Therefore, some bourgeois scholars bawl out the claim that Marx's theory of labor value has become outdated. All who attended the forum held that we must adhere to Marx's theory of labor value and answer the bourgeois scholars' challenge. However, to do this, we must scientifically explain the following several questions. First, automatic systems are designed and created by man. The peculiar point about this fact is that it involves a change in the intension of abstract labor as the embodiment of value. The change is that the relative importance of mental labor is becoming increasingly greater, in the following two senses. For one thing, the proportion of mental labor in the labor expended by workers is increasing; and for another, the composition of various types of workers is changing. The number of workers directly taking part in the production of products is decreasing, while there are an increasing number of those who are specialized

in scientific and technological work, who are engaged in research, design and so on, rather than in directly producing products. Second, according to the theory of the dual character of labor, the value of robots is transferred to the products produced by the robots through man's concrete labor. Moreover, man expends a certain amount of mental and physical effort, and consequently adds a definite amount of new value to the products. Therefore, value is created by man, not by robots. Third, labor which controls automatic machinery systems is highly complicated. Such labor multiplies itself and can create a much larger value than simple labor.

At the forum, there were different interpretations of the pauperization of the proletariat. Some comrades held that although the concept of "pauperization" is not explicitly stated in "Das Kapital" or other works of Marx, the implication of pauperization does exist, and the pauperization of the proletariat is governed by an economic law concerning capitalism. Some comrades held that it is not scientific to categorize pauperization as "absolute pauperization" and "relative pauperization." Rather, we should categorize it as "material poverty" and "social poverty." "Social poverty" means that the workers' standard of living gets increasingly lower when compared with the bourgeoisie's standard of living or with the increasingly higher consumption level of the whole society. Such social poverty always exists in capitalist society. "Material poverty" refers to poverty in the workers' material life. Such poverty exists only during certain periods and only among a proportion of the workers of certain localities in a capitalist country.

At the forum, some comrades also gave an account of the debate on the "question of transformation," which has lasted many years in the West. They also explained the methodology used in Marx's analysis of the concept of "transformation" in "Das Kapital," stressed the theoretical significance of the transformation of value into production prices as discussed in "Das Kapital," and pointed out that studying the "question of transformation" is of key significance in defending Marx's theory of labor value.

5) On the Subject Under Study in "Das Kapital"

Capitalist production relations is a subject under study in "Das Kapital." There has been no disagreement over this point. The disagreement is over whether productive forces and modes of production are subjects under study. Some comrades think they are, while some others do not think so. The discussion was again centered round the interpretation of the phrase, "capitalist mode of production," in the following quotation from the preface to the first edition of "Das Kapital," Volume I: "This book is to study the capitalist mode of production as well as the relations of production and exchange corresponding to it." Various views on this "capitalist mode of production" were presented. They can be summed up into the following six points.

- 1) This "capitalist mode of production" refers to the capitalist society viewed as a socioeconomic formation.
- 2) It has two meanings: First, the mode of labor, that is, the ways in which workers are coordinated and use the means of labor in the labor process; and second, the social form of production.
- 3) It refers to the socialization of production or to socialized large-scale

production. 4) It refers to the way in which the means of production and the labor forces are integrated, under the system of capitalist ownership. 5) It refers to the dialectical unity of production relations and productive forces. 6) It refers to the unity of the production relations and the form of labor organization.

6) On the Methodology Employed in "Das Kapital"

The comrades at the forum held that by and large the methodology employed in "Das Kapital" is materialist dialectics. Going from the concrete to the abstract or vice versa, and using the logical method or historical method, are specific applications of materialist dialectics. According to some comrades, when we say the method of study is to go from the concrete to the abstract and the method of description is to go from the abstract to the concrete, we are merely referring to the principal and essential characteristics of these methods. Actually, the method of going from the concrete to the abstract and the method of going from the abstract to the concrete are often integrated, related and interconnected. However, we must not thus treat them as identical. Some comrades also said that when we discuss the relationship between the method of study and the method of description, we must distinguish between the two different meanings of the relationship between the abstract and the concrete: The first being the relationship between rational knowledge and perceptual knowledge, and the second being the relationship between simple characteristics and complicated characteristics. In the light of the first meaning, to go from the concrete to the abstract is the path to the knowledge of truth; and in the light of the second meaning, to go from the concrete to the abstract is a wrong method of description. As to the relationship between the logical method and the historical method employed in "Das Kapital," some comrades held that overall, they are compatible with each other, but being compatible does not mean they are identical. Some people interpret the compatibility of logic with history as meaning that everywhere throughout "Das Kapital," the logical structure of the book must be compatible with history. According to this interpretation, the logical sequence must be perfectly in accordance with the historical sequence, so that the logical method is turned into the historical method; and moreover, a historical sequence must be created for certain things that objectively do not exist in history. For example, the development from the production process to the circulation process and the overall process, the development from simple reproduction to expanded reproduction, and so on. This is questionable.

Because the structure of "Das Kapital" is a theoretical reflection of the capitalist socio-economic structure, and it embodies the method of going from the abstract to the high plane of the concrete, the question of the structure of "Das Kapital" was also discussed at the forum. Some comrades took the production, realization and distribution of surplus value as the summary of the contents of respectively the first, second and third volumes of "Das Kapital." They also see the summary of the overall logical structure of "Das Kapital" being built up in this way. Some other comrades held that to a certain extent, this view points out the most essential contents of various volumes of "Das Kapital," but it does not precisely describe the

structure of "Das Kapital." They also held that another relatively popular view, which holds that the first, second and third volumes of "Das Kapital" respectively study capitalist production, exchange and distribution, is even less satisfactory. This is because it is tantamount to using the "method of dividing things into three categories," which is used in bourgeois economics and which Marx denounced, to explain the logical structure of "Das Kapital."

The forum also discussed various other questions, such as the history of the building of the structure of "Das Kapital," the relationship between Marx's draft on economics and plan on one hand and "Das Kapital" on the other, and so on. Many comrades held that studying these questions is of great significance. Doing this does not amount to overelaborate research, because it can help us more satisfactorily understand the structure and methodology of "Das Kapital," help deepen our understanding of the basic principles of Marxist political economics, and help us further discover useful things.

At the forum, the comrades from the general universities, the higher teacher-training institutes and the party-school system also discussed the teaching of and research on "Das Kapital." They gave accounts of the situations of their units, exchanged experience in teaching, and discussed how to improve the teaching of and the research on "Das Kapital" under the new situation.

CSO: 4006/353

MERITS OF ECONOMIC CONTRACT SYSTEM WITHIN PLANTS EVINced

Beijing CAIWU YU HUAJI [FINANCE AND ACCOUNTING] in Chinese No 12, 20 Dec 81
pp 28-29

[Article by Shu Bing [5289 0393]: "Problems of Economic Contract System Within Plants Discussed"]

[Text] Is it necessary for an economic contract system to be set up within plants? How should such a system be enforced? Since there still are divergent views on these questions, this article will attempt to conduct some preliminary study on this subject.

If we want a plant that has hundreds or thousands of people to fulfill its plans and to improve its production and management, we must attach great importance to the roles played by the various workshops and administrative offices and fully arouse their enthusiasm and initiative in production and management. At the same time, in completing the production tasks of the plant, there should be close coordination as well as clearly defined responsibilities among these workshops and offices. To strengthen economic management within the enterprises, therefore, it is necessary that all workshops and offices enjoy relative independence and assume certain economic responsibilities, so that they will have more concern for the economic results of production and management, in consideration of their own material interests. A system of economic contracts within the plants is precisely the means to correctly handle or harmonize economic relations among all workshops and offices with regard to rights, responsibilities, and interests. Furthermore, there are objective conditions in the plants for the adoption of an economic contract system, for the reason that within the same plant, the products of the first workshop often become the raw and semifinished materials of the second workshop, and one workshop often requires the assistance of other workshops or of the offices in supplying labor for the completion of its production tasks. The relations of exchange of products and labor according to the required quantity, quality, varieties, and specifications within a certain period precisely constitute the objective basis for an economic contract system within plants.

An economic contract system within plants calls for the signing of contracts for various orders for goods or various forms of cooperation through mutual consultation for the fulfillment of production tasks, all assigned by the plant. The contracts should clearly specify what one party expects of the other party in the way

of procurement, marketing, or cooperation with regard to the quantity and quality required and the time limits, and should spell out the rights, duties, and responsibilities involved. This will help to strengthen mutual cooperation, arouse the subjective initiative of various workshops and offices, and enhance their sense of responsibility for the fulfillment of various tasks.

According to the economic contract system within plants, the intermediate products that the first workshop supplies to the second workshop will be considered as commodities sold by the first workshop, while the second workshop will be in the capacity of a customer purchasing the commodities. This is perfectly in line with the concept advocated in quality control that "people in charge of the next sequence of operations are the customers." According to commercial principles, both contracting parties should practice exchange at equal value, and the results of production and management as the economic relations between them should be comprehensively reflected in terms of money. Some people are of the opinion that the intermediate products and labor services supplied within a plant need not be accounted for, as long as there are rewards for the fulfillment of production targets in material terms with regard to quantity and quality, and deduction of bonuses for failure to do so. This method would reduce the contract system to a mere formality. At the same time, it would make it difficult to compute revenues and expenditures in material terms. Such a method often leads to a pure quest for production, regardless of production costs, to the neglect of economic results. Therefore, the economic contract system within plants requires both contracting parties to compute prices in monetary terms for the intermediate products or labor services supplied according to the contract. Thus the supplying party will have revenues for its sales, while the receiving party will incur expenses on production. All workshops and administrative offices should use the proceeds from their sales to compensate their consumption on production (production cost); a surplus of these proceeds over expenses means internal profits. Then, bonuses will be paid according to the amount of internal profits. Only thus can there be a direct link between economic interests, economic responsibilities, and economic results, so that the workshops and offices will gain some innate economic driving force in fulfilling the obligations of the contracts they have signed.

There must be uniform prices for the settlement of internal accounts according to the economic contracts within the plants. This not only will help to accurately evaluate the performance of various units in production and management that are not affected by price fluctuations outside the plant, but it also will avoid any wrangling over prices when the contracts are signed. There usually are two methods in working out the prices for internal settlement of accounts: 1) Discounted market prices; that is, the market price minus taxes and profits. This method is convenient for comparing internal prices with the prices of similar external units, and it can serve to promote the improvement of internal management and the lowering of production costs. 2) Production cost plus a certain percentage; that is, the fixed internal production cost plus a certain internal profit rate. Because the numerical data can be more easily obtained, this method is more suitable for the intermediate products with no market prices to be used as the basis.

To a certain extent, the prices for the internal settlement of accounts also embody the requirements of the law of value, which should therefore be intelligently

applied in setting these prices, as shown in the following examples: 1) For some key accessories and spare parts, we should use a grade differential for different grades of products, so that products of a higher quality should have higher prices. This will encourage an improvement in the quality of processing work. 2) For intermediate products that are in short supply and cannot be easily processed, prices should be set a little higher so as to ensure balanced production by reducing the goods already in excessive supply and producing more products in complete sets. 3) There will be a fairly balanced profit rate for different workshops that produce different products within the plant, instead of unequal opportunities for them to make a profit. In this way, the prices for internal settlement of accounts will serve as economic levers to regulate production and equalize supply and demand.

The system of economic contracts within plants calls for the strict fulfillment of the economic responsibilities stipulated in the contracts. The core of a contract system is the responsibility system. Once signed, contracts between different enterprises will have legally binding effect, and the contracting parties must carry out their obligations. Any party that fails to deliver the goods on time and according to the quantity and quality norms laid down in the contract will have to compensate the other party for the economic loss or pay a fine. The same principle should apply to internal contracts as well. Any unit in the plant that supplies intermediate products and labor services which do not measure up to the required standards should have the responsibility of replacing them, withdrawing them, or compensating the other party. If losses due to the production of rejects have been caused by other workshops or offices, then these workshops or offices should bear the whole responsibility. However, the scope of internal economic contracts cannot be confined to the compensation of losses or the payment of fines. The failure of any workshop to carry out contractual obligations usually affects production in the whole plant, and holding this workshop responsible for the loss is no consolation for the loss to the plant as a whole. Therefore, the plant must strengthen its inspection and supervision of contract implementation, take precautionary measures in good time, and try every way to forestall any breach of contract in the course of production. At the same time, the workshops and offices should be given the necessary discretionary power. For example, if the supply office cannot supply a workshop with the necessary raw and semifinished materials on time, this supply office should on its own initiative try to procure these materials from outside sources. In this case, the expenses in excess of the prices for internal settlement of accounts should be borne by the supply office concerned. Similarly, if a workshop is unable to supply a processing service as stipulated in the contract, this workshop should be permitted to enlist outside assistance and bear the extra expense involved. By this means, we can induce the workshops and offices to exert their efforts to fulfill their contractual obligations in order to complete the plant's production plan.

However, the system of internal economic contracts is not suitable for all economic activities of the enterprises. For example, wages, equipment [costs], working funds, and other similar expenses that go into the workshops' production costs, and which should be directly accounted for by the financial department of the plant, generally should not be covered by contract, since these expenses reflect only the relationship between the plant and the workshops. This relationship,

although embodying the relations of rights, responsibilities, and interests, is different in nature from the relationships among different workshops. In the relationship between the plant and the workshops, the question of "right" concerns relations between centralization and decentralization; the question of "responsibilities" concerns relations between management and responsibility at different levels; and the question of "interests" concerns relations between the whole and the parts. None of these relations should be handled through contracts. Some enterprises have tried to substitute contractual relations between plant and workshops for the system of leadership and command, but the result has been that the centralized and unified planning of the plant as a whole was affected to such an extent that the enterprise was hamstrung in working out suitable policy decisions for the external changing conditions, its power in handling routine internal affairs was weakened, and its management even became chaotic. Contractual relations can be established between certain administrative offices (such as the supply office) and the workshops simply because these offices, aside from their specific management functions, are in contact with the workshops on an equal footing in certain business dealings such as the supply of materials and labor services to one another. Therefore it is obviously incorrect to indiscriminately apply a contract system to all economic activities within the plant.

The method of quotas and control of targets should be adopted for wages, equipment, and working funds. In other words, the plant should set up adequate quotas for personnel, equipment, and working funds for every workshop to ensure that production requirements are met. At the same time, the workshops should have certain independent economic rights. For example: 1) The workshops should have the right to the disposition of their personnel, including payment of overtime wages out of their own funds in order to solve temporary labor shortage problems. 2) The workshops should have the right to demand that their unwanted equipment be sealed for safekeeping or be transferred away. 3) In case of a shortage of funds for production, the workshops should have the right to obtain loans from the financial department of the plant by paying interest at the established rates. In short, the plant should provide every facility for the workshops to fulfill their contractual obligations.

From what has been described, we can see that the system of economic contracts within plants can play an important role in strengthening internal economic accounting, in clearly defining the economic responsibilities of the workshops and offices, in closely coordinating supply and demand, in implementing the plants' unified production plans, and in improving economic results. However, [such a system] cannot replace planned management, quality control, and financial control in the enterprises. On the other hand, plants should adopt specific means to strengthen their control and supervision over contracts and should set up a sound system of contract control and internal settlement of accounts to meet the requirements of contract signing between various units, the settlement of accounts, and the economic responsibility assumed by each party. An economic management organ should be set up in [each] plant, with the participation of the plant director (or deputy director), the chief engineer, and the chief accountant. This organ should have the authority to examine all internal contracts and to organize an overall balance (in principle, all contracts should be examined and validated by this organ); to set up uniform prices for the internal settlement of accounts and

establish standards for the collection of fees for the use of working funds; to publish the terms and clauses for internal economic contracts and for rewards or compensation; and to arbitrate in contractual disputes. Only thus can the system of economic contracts within plants be set up and carried out, and can its role be given full play.

9411

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TRANSPORTATION

ENERGY ADVANTAGES OF ELECTRIC LOCOMOTIVES ANALYZED

Zhuzhou JICHE DIANCHUANDONG [ELECTRIC DRIVE FOR LOCOMOTIVES] in Chinese No 1, 1982 pp 2-4

[Article by Dong Zhaomin [5576 0340 3046], Scientific Research Academy, Ministry of Railways: "Comparative Energy Conservation With Three Types of Railway Motive Power"]

[Text] Electrification of the main railway lines is an important means of modernizing the railroads. The use of electric locomotives not only can greatly increase the capacity of existing lines, but also constitutes an important measure in implementing the national energy policy of "concentrating on the use of coal and placing equal emphasis on energy development and conservation."

1.1. Our country's basic energy situation:

- eighth place in the world in petroleum reserves;
- coal reserves of 600 billion tons, recoverable reserves estimated at 300 billion tons;
- theoretical potential hydroelectric resources 680 million kWh, exploitable installed capacity 380 billion kWh.

1.2. 1980 energy output:

- 1.6 million tons of petroleum;
- 610 million tons of coal;
- 300 million kWh of electricity.

1.3. Applicable national energy policy is as follows:

The national energy policy is to "concentrate on coal, placing equal emphasis on energy development and conservation," with priority accorded to conservation in the near term.

In the utilization of primary nonrenewable energy sources, the utilization of waste heat and the combined supply of heat and power are being pursued to increase efficiency.

Domestic oil consumption is being decreased and an effort is being made to increase petroleum export to acquire foreign exchange which will be used for domestic development of energy resources. The policy of converting from oil to coal and increasing petroleum exports so as to develop domestic energy resources requires that all departments capable of using coal make use of it and conserve petroleum for export.

2. According to figures from the Statistical Office of the Ministry of Railways, energy consumption on our nation's railways using three types of motive power in 1981 was as shown in Table 1.

Table 1.

Numbers of locomotives	<u>Electric power</u>		<u>Steam power</u>		<u>Internal combustion</u>	
	Available	In use	Available	In use	Available	In use
	287	123	7,801	5,304	2,190	1,422
Total haulage (ton-kilometers)	2,208,543		85,707,687		19,409,570	
Percentage of total annual haulage	2		80		18	
Annual energy consumption	287 million kWh of electricity		18.521 million tons of natural coal		680,000 tons of diesel oil	
Energy consumption per ton-kilometer	129.8 kWh of electricity		106.4 kg standard coal		35 kg diesel oil	
Average efficiency (%)	23.6		6.1		19	

Note: In the calculation of electric locomotive average efficiency (23.6 percent), the efficiency of fossil-fired generating stations was taken as 30 percent. If fossil-fired electric power stations are converted to simultaneous supply of heat and electricity, their efficiency may reach 50 percent.

The average efficiencies shown for the three types of motive power are as follows: steam locomotives, using coal as fuel, give an average efficiency of only 6.1 percent; internal combustion locomotives, using diesel oil as fuel, give an average efficiency of 19 percent; electric locomotives, which at present use primarily coal as fuel, give an average efficiency of 23.6 percent. Electric drive gives the highest average efficiency and also is based on coal as a fuel, which is in accordance with the requirements of national energy policy.

3. If electric locomotives replaced steam locomotives in 80 percent of total 1980 haulage, there would be a saving of more than 10 million tons of natural coal. If internal combustion locomotives replaced steam locomotives to the same extent, there would be an annual loss of more than US\$400 million in foreign exchange.

Since electric drive consumed 287 million kWh to perform 2 percent of total haulage in 1980, if it had been used to perform 80 percent of haulage in 1980 the electrical energy consumption would have been 11.48 billion kilowatt-hours. In every kilowatt-hour is equivalent to 0.5 kg of standard coal (including allowance for electrical transmission losses), 11.48 billion kWh is equivalent to 57.4 tons of standard coal. Energy consumption by steam locomotives in 1980 was 18.521 tons of natural coal, and accordingly if electric locomotives replaced steam locomotives to the extent of 80 percent of 1980 haulage, the annual saving would be more than 10,000 tons of natural coal.*

Since internal combustion locomotives consumed 680,000 tons of diesel oil to perform 18 percent of total haulage in 1980, the use of internal combustion locomotives to perform 80 percent of total 1980 haulage would have resulted in consumption of 3.022 million tons of diesel oil. In 1980 the export price of a ton of light diesel oil was US\$380, so that 3.022 million tons of light diesel is equivalent to more than US\$997 million in foreign exchange. At a 1980 export price of US\$32 per ton, 18.521 tons of natural coal is equivalent to more than US\$592 million in foreign exchange, so that the use of diesel oil results in a loss of more than US\$400 million in foreign exchange, in addition to substituting a high-quality fuel for a low-quality one.

4. As of 1980, world proven recoverable petroleum reserves were 87.9 billion tons, which would last for 28 years at an annual production rate of 3.1 billion tons. If this country produces 400 internal combustion locomotives per year, the total from 1981 to 1990 will be 4,000, which, added to the existing 2,190, gives 6,190. Given the period for which reserves are expected to last, these more than 6,000 internal combustion locomotives will be usable for 18 years starting in 1990. Thus expanding the use of internal combustion locomotives is irrational. There is already a crisis with world petroleum reserves, and many countries are searching for petroleum replacements and new energy sources, and it would be incomprehensible if our country were actually to undertake a major expansion of petroleum-fueled locomotives.

Of 141,124 km of operating railway lines in the Soviet Union, 42,442 km is electrified, and the 11th Five-Year Plan requires that an additional 6,000 km be converted from internal combustion to electric power to save petroleum.

Electric power is a secondary energy resource which is converted from such primary energy sources as coal, petroleum, water power or nuclear power. Accordingly it is more adaptable than the primary energy resources: generating plants can use poor-quality coal with caloric values below 3,000 kcal, water power, or nuclear power to generate electricity. Our country's recoverable coal reserves amount to 300 billion tons, and with an annual output of 700 million tons they will last for 400 years. Our country's installable water power capacity is 380 million kW. This is the material base for assuring that electric power will be available for a long period. From considerations of long-term availability of energy too, we should vigorously develop the use of electricity for railway motive power.

*Standard coal has a heat content of 70,000 kilocalories and natural coal is assumed to have a heat content of 5,000 kilocalories.

In order to speed up the replacement of internal-combustion locomotives, while substituting electric locomotives for them on large-capacity lines we should use them in turn to replace steam locomotives on lines with capacities of 35 million tons or less so as to speed the abandonment of steam locomotives.

5. Table 2 shows annual capacity of various railroad districts or sections with different types of motive power.

Table 2.

<u>Section</u>	<u>Annual Transport Capacity (10,000 tons)</u>		
	<u>Steam</u>	<u>Internal combustion</u>	<u>Electric</u>
Baoji-Fengzhou [1]	250	--	1,200
Guangyuan-Mianyang [2]	770	1,300	1,500
Yangquan-Shijiazhuang [3] (up track)	2,000	--	6,000
Fengtai-Zhangjiakou [4]	2,400	3,027	5,000 [5]
Baiji-Tianshui [6]	--	--	Annual capacity doubled after electrification

Notes: 1. Source: Xi'an Railway Bureau Survey and Statistical Office, "Operation of Electrical Power System for Electrified Railways," April 1980.

2. Source: Chengdu Railway Bureau, Chengdu Railway Branch Office, Railway Scientific Research Academy Transport Office, "Economic and Technical Effects of Electrification of Guangyuan-Mianyang Section of the Baoji-Chengdu Railway," June 1975.

3. Source: Cao Yalin [2580 0068 2651], Rui Yulan, Jin Chenhu, Transport Office, Railway Science Research Institute, "Problems of the Current Electrification Project: Survey Report on Electrification of the Shijiazhuang-Taiyuan Line," 1979.

4. Source: Feng Yazhoi [7458 7161 7872], Yan Gongmao, Zhao Bingsen, Zhu Zhengan, Locomotive Bureau, Ministry of Railways, "Views on Some Policy Matters in Conversion to Electric Motive Power," September 1980.

5. Furnished by Electrification Projects Bureau.

6. Source: Baoji-Tianshui Electrification Project Directorate, Xi'an Railway Bureau, "Experience and Lessons of the Baoji-Tianshui Railway Electrification Project," May 1980.

Table 2 shows that the transport capacity of old railways after electrification is at least double that when steam locomotives were used and is also considerably greater than when internal combustion locomotives were used. For example, when the Fengsha main line was built in 1952, traffic was so heavy that a second line was soon built and steam locomotives were replaced by internal combustion locomotives, increasing annual capacity to 30.27 million tons, which still did not meet

growth requirements. Accordingly, it was decided to electrify the line. The rated annual capacity after electrification is 50 million tons, an increase of 65 percent over the figure for use of internal combustion locomotives.

Conversion of existing railway lines is an important part of railway modernization. Only by converting them to electricity can large increases in their capacity be realized.

6. The foregoing makes it clear that replacing steam locomotives with electric locomotives should be the only major thrust of modernization of railway motive power. Not only is the average efficiency of steam locomotives only 6.1 percent, but they pollute heavily and have poor traction capabilities, so that they should be rapidly abandoned. Because internal combustion locomotives are subject to the limitations of our country's petroleum supply and the effects of the worldwide oil crisis, it is difficult to expand their use greatly. Accordingly the main thrust of motive power modernization on our country's railways must be vigorous expansion of electric power. Not only does the supply of electricity have the powerful material backing of water power and coal reserves, but simultaneous supply of heat and electricity by electric power stations can increase their thermal efficiency to 50 or 60 percent, making it an important energy conservation measure. Accordingly, making the fullest possible use of electricity in the railway system is the most important energy conservation measure in railway motive power.

We suggest that every year 1,000 km of major trunk lines be electrified, which will require 150 locomotives, replacing 300 steam locomotives. The conversion of 1,000 km of line from steam to electricity will save a million tons of natural coal a year. At this rate, by 1990 we will have more than 10,000 km of electrified lines. Our country's six busiest lines (Beijing-Guangzhou, Beijing-Shenyang, Beijing-Baoji, Tianjin-Shanghai, Gansu-Qinghai, Harbin-Dalian) should be totally electrified. This will mean that electric locomotives will have taken on more than 60 percent of total railway haulage, and every year there will be a saving of more than 8 million tons of natural coal compared with the use of steam locomotives. At the same time, the capacity of the electrified lines will be more than double that of the lines using steam power, thus transforming the railway transport situation from an unfavorable to a favorable one, and making it possible to run more passenger and freight trains, particularly the sorely needed passenger trains.

Electrification of 1,000 km of railway lines a year will require an investment of more than 1 billion yuan. With electrification of 10,000 kilometers between 1982 and 1991, the total investment will be about 10 billion yuan. This investment not only will save about 8 million tons of natural coal a year, but will also bring about a fundamental change in the long-standing problem of railway transport's inability to keep pace with national economic development. Putting an end to the long-standing railway transport situation in which "transport capacity controls output," "overstocks accumulate" and "passenger transport suffers," will make the railway transport genuinely serve as a vanguard of the national economy.

The 2,190 internal combustion locomotives currently in service perform 18 percent of total annual railway haulage. While energetically improving the quality of

internal combustion locomotives and increasing their service life, on the basis of their characteristics we should use them for motive power on lines with capacities of 35 million tons or less and for switching tasks, so that they and electric locomotives combine to speed the replacement of steam locomotives, thereby truly putting railway motive power on the path of "promoting both internal combustion and electric locomotives, with the emphasis on electric."

8480

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TRANSPORTATION

PRC EXPANDING CONTAINERIZED CARGO HANDLING

Hamburg DEUTSCHE VERKEHRS-ZEITUNG in German 10 Nov 81 pp 21-22

[Text] The adaptation of the ports to meet the requirements of container traffic confronts the PRC with big problems. Experts from Bremen are to make their know-how available in the future. This supposedly is the express wish of Deputy Chinese Transportation Minister Guo Jian, it was said recently by Dr Hans Ludwig Beth, director of the Bremen Institute of Maritime Transportation, following his return from Peking.

In the port city of Tianjin, Beth directed a specialized seminar on container traffic which had been prepared together with the Bremen Warehousing Company.

More than 60 participants from China's main ports and Beijing government agencies displayed extraordinary interest in the specialized reports presented by the experts from Bremen whose topics were geared particularly toward the modernization of maritime freight transportation in the ports of the world's most populous country. The documentation compiled by the Bremen institute is currently being translated into Chinese along with the contributions from all seminar reporters in order then to made available for training purposes to a larger group of interested persons in the PRC.

As Dr Beth reported further, the Bremen Institute of Maritime Transportation moreover agreed upon a long-term exchange of information with corresponding installations in the PRC. The sphere of interest extends far beyond the container sector and covers all aspects of maritime transportation.

In conjunction with the Bremen training program--which was given under the heading of "port containerization"--the PRC Transportation Ministry specifically spelled out the desire for continuing cooperation in this special field. An exchange of experiences was labeled a priority matter for future activities; this exchange of experiences was to deal with the points of harbor organization and rate schedule questions, of information and documentation, as well as methodological and practical problems in harbor planning. According to Mrs Jian, it is important especially during the phase of containerization introduction in maritime ports to learn from the experience of other countries if the adaptation process of Chinese ports to the new structures of intercontinental freight transportation is to take place smoothly.

The containerization wave finally hit the PRC with considerable delay but in the meantime the cargo handling volume has been rising rapidly: in 1980, it was 50,000 [containers] and this year it will be presumably 100,000 containers which will be unloaded or loaded in Chinese ports. Authorities in Beijing forecast an annual volume of 700,000 TEU [twenty foot equivalent units] for the year 1985.

The construction of two berths on a landfill area has been planned for Shanghai, currently the biggest container port; the idea is to achieve a total capacity of 250,000 units per year. Upon the opening of the new complex next year, Shanghai will also be able to process, by far, bigger ships than has been the case so far.

The same kind of development activities are underway in Huangpu. This port, which has a capacity of 6,000 containers at this time, is to be able to handle 106,000 containers by 1983 and 206,000 containers by 1985.

China's second-largest container port, Tianjin, is to get three new container piers. By the time they, together with a series of hoisting equipment units, start operating in 1985, Tianjin's cargo-handling capacity will have gone up to 250,000 units per year.

The port of Dalian is located in the northeastern region of the Middle Empire which is rich in natural resources; in the past, the cargo handling volume was concentrated on oil and bulk transportation; it was included in China's containerization plan among other things because of its depth. The reorganization of existing organizations and the construction of an extra pier would seem to point to a cargo handling capacity increase to about 30,000 units per year.

Qingdao a bulk port with rail connections, is also to be converted for partial container processing. A new pier, the planners hope, will decisively participate in the future capacity of 50,000 containers per year.

For the Chinese, the FRG is one of the most important partners in commerce and in the country's economic growth. Although industrial expansion is being pushed more slowly compared to earlier plans, the sales volume in bilateral commodity transportation is still growing. During the first half of 1981, the increase was 15 percent compared to the same period of time the year before. Goods worth DM 2 billion were shipped.

An increase in imports of Chinese origin by 24 percent to DM 0.8 billion was paralleled by an increase in German exports by 9 percent to a figure of DM 1.2 billion.

But out of all of Germany's foreign trade, the PRC accounted for only 0.5 percent of all imports and 0.6 percent of all exports. Among countries with which Germany engages in foreign trade, China during the first half of 1981 was in 35th place for imports and in 30th place for exports.

Due to the greater increase in imports, the asset balance in commodity traffic with China (as a producer or consumer country) declined from DM 0.4 billion during the first half of last year to DM 0.3 billion during the period covered by this report.

In the balance of trade--which is calculated by using the data for China as a purchase or buyer country--the surplus dropped from DM 0.53 to DM 0.49 billion.

A comparison of the foreign trade statistics in both of these country groups shows that during the first half of 1981 likewise about 26 percent of all commodities of Chinese origin were procured via other purchase countries. On the exports side, only 6 percent of the shipments went to the PRC via other buyer countries.

The latest edition of the official foreign trade statistics shows that imports of Chinese origin during the first half of this year consisted of 54 percent industrial finished products, 14 percent industrial raw materials, 6 percent industrial semifinished products, and 25 percent food industry items.

The increase compared to the same period of time used for comparison last year extended primarily to purchases of finished goods (up 37 percent to a figure of DM 453 million). The import increases included above all fabrics, knitted materials, clothing, chemical products, leather goods, furs, pharmaceuticals, and basketry items.

Among raw materials (up 11 percent to a figure of DM 120 million), there were increases above all in procurements of hard coal, tungsten ores, bauxite, graphite, and magnesite, while the import of bed feathers declined.

The import of semifinished goods of Chinese origin (up 55 percent to DM 46 million) was heavily characterized by increasing procurements of fuel during the first half.

Imports of foodstuffs increased by only 5 percent to DM 212 million, compared to the preceding year. Increases in canned vegetables in fruits, oil crops, and hops were offset here by decreases in guts, roots, and tubers.

German exports to the PRC during the first half of that year consisted of 87 percent industrial finished goods and 5 percent food industry items. Industrial raw materials and semifinished goods comprised 4 percent, each, in total exports going to the middle empire.

In the breakdown of the commodity list for industrial statistics, the emphasis in German shipments to China was on products from the capital-goods-producing industry (61 percent).

A comparison with the prior year showed a decline by 8 percent to DM 0.7 billion here; it took place primarily in machine-building products (down 29 percent), as well as road vehicles (down 81 percent).

On the other hand, there were increases in exports of steel structure products and rail vehicles (up 813 percent) as well as electrotechnical products (up 54 percent).

The products of the raw materials and producer goods industry continued to share with 31 percent in exports going to China.

As part of an increase by 33 percent to DM 0.4 billion, there was also an increase especially in shipments of chemical products (up 77 percent), while decreases were recorded in exports of iron and steel (down 47 percent) and rolling mill products (down 70 percent).

Exports of products from the consumer-goods-producing sector—which yielded only 1 percent exports to China—finally increased to 20 percent and a figure of DM 8 million. Only printing products, textiles, as well as glass and glassware played a certain role among them.

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CSO: 4620/28

HUBEI GIVES GENERAL STATISTICS, DISCUSSES FOREIGN TRADE

Chen Pixian Discusses Situation

HK171530 Hong Kong WEN WEI PO in Chinese 16 Mar 82 p 3

[Report: "Chen Pixian Introduces the Situation in Hubei"--first part]

[Text] Editor's Note: Not long ago, Chen Pixian, first secretary of the Hubei Provincial CCP Committee, met with our reporter Wang Chia-chen in Wuhan and talked about the development of Hubei Province in recent years and the future measures to be taken. The interview lasted 3 1/2 hours. The following is a record of what Chen Pixian said (a record edited without having been examined by the speaker.) [end editor's note]

It is a welcome season of spring. We welcome you visitors to the capital of Hubei Province--Wuhan Municipality. This gives us an opportunity to meet each other. All of us feel very happy. Personally I heartily welcome your visit. This time Mr Mei Wending has not come. Please convey my regards to him. I hope that he will come to visit Hubei when it is convenient.

I know that the purpose of your present visit is to get an idea of the conditions of our province. You are interested in the political and economic conditions of our province prevailing last year and in our economic trade with foreign countries. I herewith provide you with some information as follows:

Plans for the National Economy Fulfilled, Total Industrial and Agricultural Output Up 9 Percent, Grain, Cotton and Oil Production Up Despite the Effects of Natural Disasters, Industrial Growth of the Province Ranks Third in the Country

Hubei Province lies in the central part of the Changjiang River Valley. Under it are 6 municipalities--Wuhan, Huangshi, Xiangfan, Shashi, Yichang and Shiyan; 8 prefectures--Huanggang, Xianning, Jingzhou, Xiaogan, Xiangyang, Yichang, Yunyang and Enshi; 73 counties and 5 prefectural cities. The province has a total area of 187,400 square kilometers with a population of over 46 million. Under the guidance of the general and specific policies formulated at the 3d Plenary Session of the 11th CCP Central Committee and

thanks to the efforts of the party organizations and governments at all levels of the province and the masses of people, the political situation of stability and unity in all fields of endeavor in our province, as in all other parts of the country, has been further consolidated and has received a boost. Stability has marked urban and rural social order. The masses of people are full of fighting spirit, their enthusiasm running at an all-time high. Economic, cultural, educational, scientific, public health and other fronts have embarked on a road of steady development. The whole situation is better than we anticipated.

Industrial and agricultural production in our province occupies an important position in our country. Our province represents one of the country's important bases for grain and cotton production, and for the steel and iron, textile, automobile and electric power industries. In recent years, the economic situation in our province has become increasingly favorable from year to year. In 1981, the provincial plans for the national economy were overfulfilled. Total industrial and agricultural output value reached 36.67 billion yuan, an increase of 9.3 percent compared with 1980.

You know that in 1980 our province suffered from serious floods and waterlogging. The affected area amounted to over 32 million mu. Various losses in the countryside were equivalent to around 1.5 billion yuan. In 1981, frequent natural disasters again struck. Between spring and summer, there was a provincewide drought. In mid-July, the highest flood peak since the founding of the PRC appeared in the upper reaches of the Changjiang River, seriously threatening the areas along the river. With the beginning of the fall, a long period of gloomy and rainy low-temperature weather was experienced. In the face of these realities, party organizations and governments at all levels of our province--guided by the call for "making good in 1 year the effects of serious natural disasters suffered in 1 year"--worked hard to overcome the consequences of the natural disasters of the preceding year, and strived to resume production and rebuild their homes. On the other hand, they waged a dogged struggle against natural disasters in the current year. In 1980, when floods and waterlogging were at the most serious stage, I personally went to several counties in Jingzhou to make a survey. I made arrangements for fighting floods. I saw for myself a sheet of water; cultivated fields and housing were all submerged. Last year, I visited the same counties. I found that all the farmland had been restored to good order. Housing had been rebuilt and was in better condition than before. The aim of "making good in 1 year the effects of natural disasters suffered in 1 year" had really been achieved. At a time when serious drought hit certain areas last year, I also visited the most seriously affected Xiangyang Prefecture. The farmland there had dried up and cracked, all the wheat was dead. It was a really serious situation. At that time, the whole province organized nearly 100,000 cadres, over 6 million workers, power-driven machines with a total of 1.5 million horse-power, motors with a total of 400,000 kilowatts, and over 70,000 water-carrying carts to fight drought. When the extraordinarily high flood

peak hit our province, we mobilized 250,000 cadres, ordinary people, and commanders and fighters of the PLA in an around-the-clock fight, thus protecting the safety of the big dike of the Jingjiang River. The project of the Gezhou dam also stood the test of an extraordinarily high flood peak for the first time. In a word, after a dogged struggle, we overcame various difficulties that natural disasters had inflicted on us. We reaped a bumper harvest.

Last year, the province's total grain output exceeded 34 billion jin, an increase of over 10 percent compared with the preceding year. Total cotton output came to 7.05 million dan, an increase of 11 percent compared with the preceding year. Total output of oil-bearing crops reached 7.85 million dan, an increase of 90 percent compared with the preceding year, the highest level on record. Other economic crops and undertakings in the diversified economy mostly showed relatively large growth compared with the preceding year.

Peasants' Income Rises, Reaching an Average of 162 Yuan

One of the main reasons why we reaped a relatively good harvest in agricultural production last year was that we seriously carried out the party Central Committee's various policies on rural work and its instructions on the introduction of the agricultural production responsibility system. Up to the end of last year, 99 percent of the production teams of the whole province had introduced various versions of the responsibility system of linking remuneration with output, acting in accordance with local conditions. This gave an effective boost to the development of agricultural production, various operations and family sideline occupations and the consolidation of the collective economy.

With the development of production, the peasants' living standard has continuously improved. The income distributed by the collective for commune members of the whole province reached an average of 102 yuan, an increase of 14 yuan compared with the preceding year. Income from family sideline occupations reached an average of around 62 yuan per person.

There is quite a sound basis for our province's industry. It is also relatively complete in its composition. The whole province now has over 16,000 industrial enterprise units. There are such main industrial sectors as metallurgy, electric power, machine-building, automobile, construction materials, textiles, food, paper-making and so forth.

Based on the guideline for the further readjustment of our national economy, we have energetically readjusted the internal structure of industry and effected initial reforms concerning systems and management. We have introduced in enterprises the economic responsibility system and upheld the principle of distribution according to work. With the planned economy as the main factor, we have given play to the supplementary role regulation by market mechanism. Guided by the above principle, various industrial

sectors and enterprise units have attached importance to improved quality, increased output of marketable products, reduced consumption of raw materials, safety in production, and other requirements. They have fully tapped the potential in given enterprises and paid close attention to technological reform of existing enterprises. This has enabled our province's industrial production to maintain a relatively satisfactory pace of development in the further readjustment of the national economy. In 1981, on the basis of an average [annual] increase of 18.6 percent for industrial production in the 3 preceding years, total output value of the province reached 24.68 billion yuan, an increase of 10.2 percent compared with 1980. This pace of growth was relatively high in the readjustment of national industrial production last year, ranking third on a national basis. This pace was slower than the average in the preceding 3 years because industrial production in these 3 years had partly to do with resumed production projects. In addition, such factors as cutting down on capital construction projects, redressing the balance between light and heavy industries, and so forth, accounted for a slower growth of industrial output value in certain sectors. But economic results were better in most of the industrial sectors. The pace of growth was more consolidated. Financial income for the whole province showed an increase of over 7 percent compared with 1980.

In industrial production, we have given priority to the light and textile industries and the production of consumer goods for everyday use. For example, we have paid primary attention to arranging for the supply of raw materials and energy, the granting of bank loans, the use of foreign capital, communications and transportation facilities, and so forth. On the basis of strong growth in the preceding 2 years, the light and textile industries of the province have been able to continue to maintain a relatively high pace of development. In 1981, the light and textile industries of the whole province achieved an industrial output value totaling over 12.79 billion yuan, an increase of 20 percent compared with the preceding year. The output of major products in the light and textile industries showed a relatively big increase compared with the preceding year. Of these products, sewing machines, bicycles, wristwatches, television sets, washing machines, electrical meters for civilian use, cameras, beer, polyester-cotton cloth, wool and other high and medium-priced commodities accounted for an increase of over 50 percent. Meanwhile, over 1,800 kinds of new products and over 10,000 new designs were recorded. Commodities in short supply on the market and export commodities also showed a relatively big increase. Of the total industrial output value, the percentage accounted for by the light and textile industries rose from 47.7 percent in 1980 to 52 percent. I believe that in the period of readjustment, such a change in proportions is correct and necessary. But as far as the heavy industrial base of Hubei is concerned, with the further development of production, the superior features of heavy industry will naturally further assert themselves.

A Turn for 'the Better in Social Style, 'Civilization Month' Activities Develop Properly

Commerce has focused on an effort to actively create a market and give full play to state-run commerce as a leading factor. Meanwhile, it has taken on varied economic components and introduced many outlets for circulation and various management methods. This has helped enlivening the market, as far as urban and rural areas throughout the province are concerned. Most of daily necessities are in relatively ample supply. In 1981, the purchases, sales and inventories of commercial and supply and marketing departments showed an overall increase. Commodity purchases registered an increase of 9.3 percent compared with the preceding year. Sales chalked up an increase of 4.3 percent. The aim of enlivening trading was achieved.

In the further readjustment of the national economy, science and technology, education, public health and other undertakings have shown appropriate development. Since 1977, investments in science, education, culture and public health throughout the province have shown an average increase of around 45 percent.

In 1981, while directing energetic efforts to the proper handling of economic work, we seriously worked on promoting spiritual civilization. At present, we are launching throughout the urban and rural areas of the province a "civilization and courtesy month" campaign and continuously deepening the "five stresses and four beautifuls" campaign. On various fronts, such activities as labor emulations, citing shock hands on a new expedition and "three-eight work style" standard bearers, and so forth, have been started. In the rural areas throughout the province, prominent results have marked such activities as vying to join advanced teams and to be model households and "five-good" commune members. The ideological consciousness of the masses of people has been further raised. Their morality, their attitude toward labor and their social style have taken a turn for the better. There have also appeared large numbers of advanced models. It is a stable situation that now prevails in our province.

Export Commodities Reach 1,000 Kinds; Three Measures Are Taken To Attract Foreign Investment, Mutual Interests Considered and Contracts Carried Out

Concerning the above situation, if you people go deep into the midst of factories and visit the countryside, I believe that you can see and hear everything for yourselves. You will also surely get a more overall, vivid and concrete idea of the situation than I can give you. Regarding economic relations with foreign countries, I wish to give you the following information.

Hubei Province has a long history, as far as foreign trade is concerned. Wuhan Municipality was one of the earliest ports to trade with various countries. In ancient history, there were many records on Wuhan Municipality's commerce and transportation. In the work "Visit to Sichuan," the patriotic

Song Dynasty poet, Lu You, wrote: "There are countless traders' ships. They come one after another in a line stretching for a few li." In the middle part of the Qing Dynasty, Hankou became a nationally renowned big port. In the early 20th century, Hankou conducted fairly brisk trade with foreign countries. Total imports and exports were only second to those of Shanghai Municipality. During the rule of the corrupt Kuomintang government, Wuhan Municipality was not well developed or used as a trading outlet. After the founding of the new China, we achieved definite results in economic exchanges with foreign countries. But on the whole, a tortuous path was followed, and such development that should have been possible was not achieved. This situation must, first of all, be attributed to the then prevailing historical factors. The first factor was a long period of hostility, blockade and embargo on the part of the capitalist countries of the world headed by the United States. The second was that from the 1960's, the Soviet Union began to tear economic contracts to pieces and our economic relations with the Soviet Union and the East European countries shrank considerably. The third was that for a period, especially during the "Great Cultural Revolution," the guideline of "relying on our own strength" was seriously distorted. It is entirely right and proper to rely on our own resources. Our country must build our socialist economy independently with the initiative in our own hands. But if that is interpreted as relying on ourselves for everything needed and keeping to ourselves without developing economic relations with foreign countries, then that is wrong. Under the conditions prevailing in the contemporary world, economic problems are by no means isolated. The phenomena in one country must be studied with reference to international relations and cannot be separated from such relations. The overwhelming majority of countries in the world attach great importance to problems on economic relations with foreign countries. In the past several decades, especially after World War II, such a situation has developed unprecedentedly. This is the inevitable trend of social development. This idea was not really accepted until the 3d Plenary Session of the 11th CCP Central Committee. Correct general and specific policies and measures for economic relations with foreign countries were then worked out. Only under this guideline has Hubei's economic trade with foreign countries really got on to the path of healthy development. The port of Wuhan has also been properly used.

An Increase in Foreign Trade Organs and Resumption of the Wuhan Customs Office

In the past 2 years or so, due to the thorough implementation of the general and specific policies for economic trade with foreign countries formulated by the party Central Committee, marked changes have taken place in Hubei's economic trade with foreign countries.

First, the port has been opened up and an appropriate number of organs have been set up. Before the third plenary session, Hubei was categorized as hinterland province. According to the then prevailing systems and regulations, except for a small number of native special products given access to direct trade with foreign businessmen, the bulk of commodities could not be promoted for sale abroad through the province's own efforts. Now, this practice is allowed. In 1981, total sales generated by Hubei itself reached 83 percent.

A reform in the practice of foreign trade has been followed by an increase in local power and its workload. Therefore, foreign trade economic organs have been set up. The original eight foreign trade companies have been made more specialized. Five additional ones have been established. Thus, there are now a total of 13 such companies. The Hankou branch of the Bank of China and the Wuhan Commodity Inspection Bureau have been reinforced. The Wuhan customs office has been restored. The Trust and Investment Company of Hubei Province and the Qingchuan Steamship Company have been established. The number of cadres and workers on the front of economic trade with foreign countries has reached over 10,000.

Second, economic exchanges and relations with financial and business circles abroad have been expanded. At present, our province has established trade relations with 100 countries and regions in the world. Over 3,000 businessmen have established close economic trade and cooperation with our province. Not long after the establishment of diplomatic relations between China and the United States, our province established friendly province-to-state relations with the state of Ohio in the United States. Wuhan Municipality had contacts with the city of Oita in Japan on friendly city-to-city terms. The establishment of province-to-state relations and friendly city-to-city relations has strengthened and stimulated our exchanges with the United States and Japan and promoted mutual understanding. Economic trade and cooperation between us has increased and developed with the establishment of such friendly exchanges. In 1980 and 1981, our province held an export commodity exhibition of Hubei Province in the state of Ohio. In September 1981, it held an export commodity exhibition of Hubei Province in Hong Kong. These exhibitions were warmly received by American friends and compatriots from Hong Kong and Macao. In regard to international financial work, the Hubei Provincial Trust and Investment Company signed agreements for cooperation with the United States, Japan, France and other countries. The Hankou branch of the Bank of China has established business relations with most of the countries and regions in the world.

Third, the quality of export commodities has shown continuous improvement. Exports have increased quickly. Many enterprises of our province have done a lot of work in stimulating the production of export commodities of our province, improving product quality, and increasing variety. Now, the whole province boasts over 1,300 kinds of export commodities. Of them, well-known brands have begun to appear in large numbers. The latter have reached about 150 kinds, some of them enjoying relatively great fame on the international market. Foreign trade exports in the past 3 years have shown an average increase of 28.1 percent, which means quite a big increase compared with before.

Establishment of a Steamship Company Allows Direct Access to Hong Kong, Japan and Southeast Asia

Fourth, the first step has been taken in the business of using foreign capital and introducing foreign technology. Up to the end of 1981, our province had used foreign loans to improve and to newly build over 60 projects. Results had already been achieved for 82 projects where agreements had been concluded

in regard to the offer of raw materials for processing, compensatory trade and joint ventures. Through these projects and cooperation with foreign businessmen, we have introduced new techniques, imported some advanced equipment and also learned something about management. Though the projects for cooperation are still few, they have played a part in reforming industrial techniques and expanding exports. Work has started on building a hermetically sealed container factory in Wuchang--a joint project with the Parker-Hannifin Company of Ohio. The work is progressing smoothly. This represents an experimental project on our part with the state of Ohio. With the project put into operation and beneficial results achieved, we can gainfully use our experience to stimulate the development of economic cooperation. We have had over 2 years of compensatory trade with Mr Yang Yuan-lung of the Yida [4135 6671] Company of Hong Kong concerning the Puqi cotton mill and have achieved very satisfactory results. The contract in its first and second stages has been basically put into realization. Now, work on the third stage is afoot.

Fifth, we have established our own steamship company. In order to solve transportation difficulties in exporting commodities, our province has set up the Qingchuan Steamship Company. We have bought six steamships. The company's fleet has direct access to Hong Kong, Japan and the areas of Southeast Asia.

In the past few years, our province has developed economic trade with foreign countries at a relatively fast pace. But we are not going to rest content with that. There are still many problems remaining to be solved in this respect. There are three main ones. First, our province's foreign trade represents only 3.9 percent of the total output value of the national economy. This is too low a percentage and cannot meet the needs of the development of industrial and agricultural production. Second, commodities exported by our province are of second grade and of limited variety, packaging is relatively poor and they are not very competitive on the international market. Third, we have attracted too little foreign capital. In order to quickly push economic trade with foreign countries forward, we think that we must firmly and unswervingly continue carrying out the party Central Committee's open-door policy. As far as the province is concerned, we must put emphasis on the proper handling of the following several tasks.

1. We must further raise our awareness of the significance of economic relations with foreign countries. Some progress has been achieved in the past 1 or 2 years. But more must be done to raise our awareness. How should we understand the matter of relying on our own resources? It cannot be said that the less we import, the better able we are to rely on our own strength. Of course, we cannot live on loans and count on foreign countries. But to break into the international market, use all positive factors that can be turned to our advantage and make up our weaknesses with others' strengths--this does not clash with the guideline of relying on our own strength. By so doing, we can use foreign capital and advanced techniques to develop our national industry with the quickest possible speed. This will allow a smooth solution to the difficulties confronting us and quicker development of socialist modernization. We must enable

party committees and governments at all levels to unify their thinking and also various departments to unify their thinking. We must cultivate a foreign trade contingent. This contingent must embody not only comrades from foreign trade economic departments but also relevant personnel working on industrial, agricultural, finance and trade fronts and comrades on party committees at all levels. By so-called cultivation, we mean cultivating not only the skills needed for the job but also, first of all, a unified understanding of economic trade with foreign countries.

2. We must energetically develop the production of export commodities, allowing a relatively great development of foreign trade. In the past few years, foreign trade exports have shown an increase larger than that in industrial and agricultural production. The increase in future exports must also be bigger than that in industrial and agricultural production. This is normal and also necessary. We must not only call for a quick pace of growth but also guarantee quality. In our current effort to reorganize enterprises, we must pay particular attention to economic results. Those enterprises with export assignments must, first of all, see whether the quality of export commodities is good or not, whether the design and style are suited to the needs of the international market, and whether prompt deliveries can be effected.

Over 100 Projects Involving Foreign Technology Will Be Introduced This Year

3. We must use foreign capital in a positive, steady and safe manner, and introduce new techniques and import advanced equipment. Though certain achievements have been scored in this respect in the past few years, they are far from being adequate. In future, we must seek a quicker pace, for that matter. But, of course, this does not mean that we need not proceed in a steady and safe manner. We must seek a quicker pace on a steady and safe basis.

In using foreign capital and effecting technical reforms, we now focus on such priorities as 1) light industrial, textile and food industries; 2) machine-building industry; 3) mining industry; 4) chemical industry; 5) electronic industry; and 6) the building of communications and transportation ports. We are prepared to handle more projects this year. We may take up over 100 projects and work on them for a few consecutive years. The results achieved will then be conspicuous. These reform-related projects (also including a small number of new projects) focus on introducing techniques, importing important equipment and acquiring advanced management experience. Concerning whole sets of equipment, we may have some such imports to meet actual needs. But we should reduce imports of whole sets of equipment to a minimum.

The use of foreign capital may take various forms and involve various methods of operation. We may get involved with joint ventures, compensatory trade, the processing of raw materials, the hire of required equipment, and so forth. We will obtain credits through the Bank of China. We are also prepared to seek through the provincial trust and investment company a fixed amount of free foreign exchange from foreign financial groups and banks and to strive for low-interest loans on the international market.

Chen Pixian Concludes Remarks

HK171540 Hong Kong WEN WEI PO in Chinese 17 Mar 82 p 3

[Report: "Chen Pixian Comments on the Situation in Hubei"--second and last part]

[Text] We shall protect the due interests of those who cooperate with us in accordance with our national law. Our concrete measures are as follows:

1. The interests of both parties should be taken into account whenever a contract is signed.
2. Advanced methods of management should be adopted so that the efficacy of the enterprises can be brought into play. The supreme power organ in a joint enterprise is the board of directors and both sides of the joint enterprise must provide representatives to take up the posts of directors, managers and deputy managers, so that the advanced experience in management from China or abroad can be introduced by them to help the enterprise maintain a comparatively high management level. As to the enterprises engaged in compensation trade or processing trade, representatives of the guest side will be invited to be advisers so that their experience in management can be absorbed. Workers' wages in these enterprises can be higher than in other enterprises, and the system of piece-rate wages or the system of basic wages plus floating wages can be practiced. As to those staff and workers who violate labor discipline and refuse to mend their ways after education, they can be punished or even fired. In short, we must manage the enterprises well so that a reliable material foundation will be laid for ensuring the interests of both sides.
3. Contracts should be carried out once they are signed. We shall be responsible for all losses due to mistakes on our part, and for the losses of the other party due to causes beyond the control of both sides. We shall also do our best to help reduce such losses and increase profits.
4. Transportation will be greatly improved. The backwardness of the present transportation and communications is a great obstacle to the development of foreign trade. We have made up our minds to change this backward situation as soon as possible. We must make full use of the Changjiang River. The Ministry of Communications and the Changjiang Shipping Management Office are making efforts to enlarge the transportation capacity and our province is doing the same. As was just mentioned, we have established a shipping company, but at present we only have one ship. Including the other five which will join us soon, the transportation capacity will still be no more than 30,000 tons. This is far too low to meet our needs. We must build more ships, say, dozens of ships. In several years' time we will be able to sail to Hong Kong and Southeast Asian countries. At the same time, we must build more piers and modern harbors.

5. The economic and trade contacts with Hong Kong, Macao and foreign countries must be further developed. Our province is not far from Hong Kong and Macao. Our Hong Kong and Macao compatriots have always closely cooperated with our provincial foreign trade departments. This cooperation has been further developed in recent years and we now have more trading partners from these areas. We welcome our Hong Kong and Macao compatriots to trade with and invest in Hubei. We shall also make greater efforts to increase our trade with them. At the same time, we shall also develop our trade with Japan, Europe, the United States, the Middle East and Southeast Asian countries as well as with Africa and Latin America.

In short, we welcome all people in the industrial and commercial circles from Hong Kong, Macao and other countries who want to contact and do business with us through proper channels, no matter whether we can reach agreements or not. However, we must point out that we resolutely oppose and will resist all those who want to contact or do business with us through improper channels or even by means which violate our national sovereignty, such as smuggling, bribery, deceit, deliberately spreading the rotten bourgeois way of life and so forth.

In our socialist construction, there are two resources and two markets: domestic and foreign resources and the domestic and foreign markets. Thus, it is necessary for us to achieve abilities in the two aspects: the ability to organize domestic construction and the ability to develop foreign trade. We must make these two complement and support each other and promote the modernizations construction in our province with a faster speed.

When we held an exhibition in Hong Kong last year, your paper gave wide coverage to introducing the achievement of our province. We would like to express our heartfelt thanks for this. In introducing our achievements to other countries, we have done very little work ourselves. It is no wonder that in some foreign countries I have visited, I have found that some foreigners (of course, not Hong Kong and Macao compatriots) only knew Hankou and did not know Hubei. We shall strengthen our efforts in this respect and hope that your paper will continue to further provide information about our province. We must keep in touch with each other in the future. You may also commission Shanghai's WEN HUI BAO and our provincial HUBEI RIBAO or Wuhan's CHANGJIANG RIBAO to solicit contributions for you.

Should you have any suggestions or demands, I will try my best to take them into account. Thank you.

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